

# MERCED COUNTY ECONOMIC FORECAST

Merced County is creating jobs at a rapid rate. In 2017, the county gained 2,600 jobs, representing a growth rate of 3.3 percent. By comparison, the entire statewide economy created jobs at a rate of 2.0 percent. The best performing sectors in Merced County were construction, manufacturing, and healthcare.

Construction activity is accelerating, but is still well below potential. More than 650 homes were built in 2017, and almost \$120 million was invested into non-residential structures. This consisted primarily of new single-family homes, new logistics structures and warehousing facilities, and public works projects.

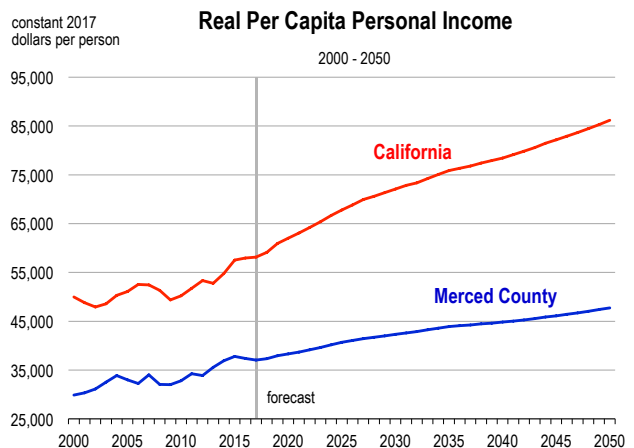
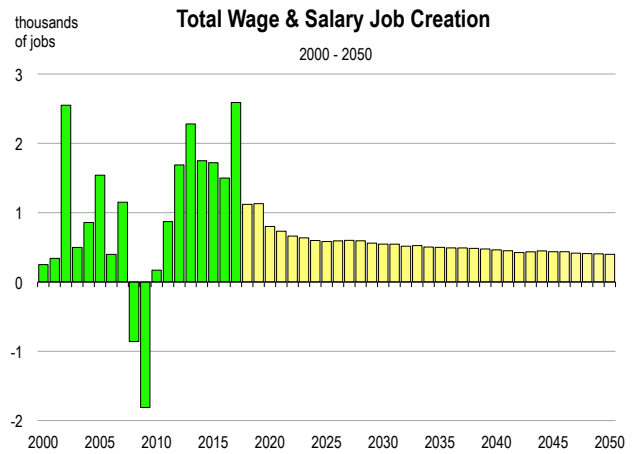
Merced County could become a hub for the logistics industry. Because it has affordable real estate and is in close proximity to most major California markets, several large logistics projects have been proposed in the county. The largest of these projects would be located near Los Banos, and would contain almost 60 million square feet of warehousing and industrial space, making it one of the biggest logistics facilities in the country. If the project moves forward, it could support up to 10,000 permanent jobs.

The Merced County population is growing quickly. Some people are moving to Merced County for its affordable homes and growing job prospects. Across Coastal California, households often spend more than 35 percent of their income on mortgage payments and rent. But in Merced County this figure is typically less than 25 percent, although there are a substantial number of households near the poverty line that spend much more. But the majority of all population growth has come from the natural increase (new births). Merced County has a young resident base with a high births rate, and the natural increase is adding approximately 2,300 residents to the population each year.

The unemployment rate improved substantially last year, falling from 10.6 percent in 2016 to 9.3 percent in 2017. But it is still much higher than most parts of California. This is largely due to the county's prominent share of seasonal workers (primarily in agriculture), who are often unemployed for several months each year. Because of this dynamic, the Merced County unemployment rate is expected to reach its lowest sustainable level by 2019, and will not improve substantially during subsequent years.

## FORECAST HIGHLIGHTS

- In 2018, total wage and salary employment will increase by 1.4 percent. From 2018 to 2023, total employment will grow at an annual average rate of 0.9 percent.
- The strongest employment gains will be observed in education and healthcare, leisure and hospitality, government, and manufacturing. Combined, these industries will account for 69 percent of net job creation between 2018 and 2023.
- Average salaries are currently below the California State average, and will remain so over the foreseeable future. In Merced County,



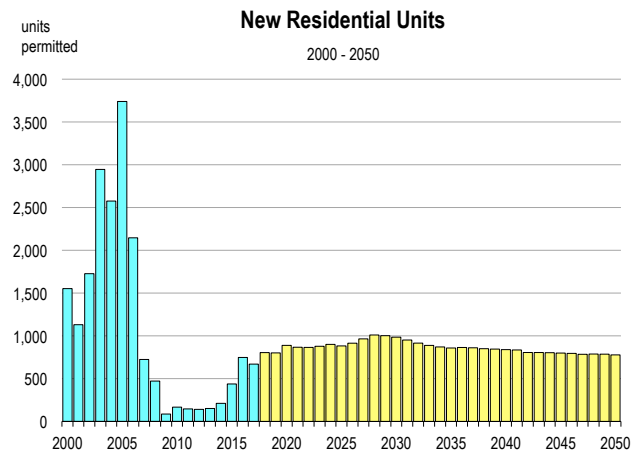
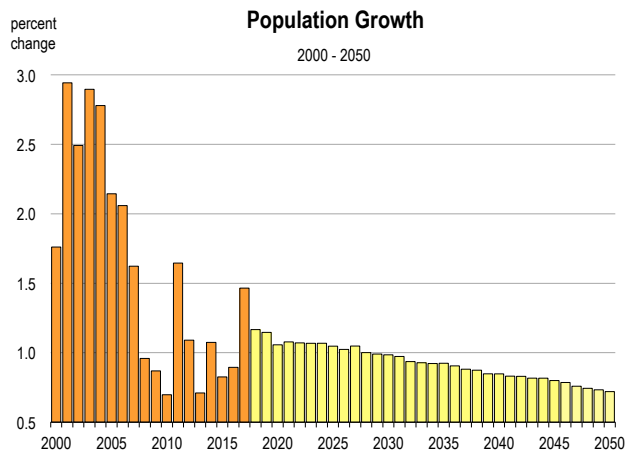
inflation-adjusted salaries are expected to rise by an average of 1.3 percent per year between 2018 and 2023, which will be slower than statewide growth.

- Housing production will accelerate over the forecast period, with an average of 860 units built each year through 2023.
- Because Merced County has large amounts of buildable land, the development process will spread out into single-family communities, rather than be forced up into multifamily skyscrapers.
- The population will continue to expand quickly. Annual growth in the 2018-2023 period is expected to average 1.1 percent.
- Net migration will accelerate, with an average of 790 net migrants entering the county each year through 2023. The natural increase (new births) will add 2,300 residents to the county each year.

# Merced County Economic Forecast

## 2010-2017 History, 2018-2050 Forecast

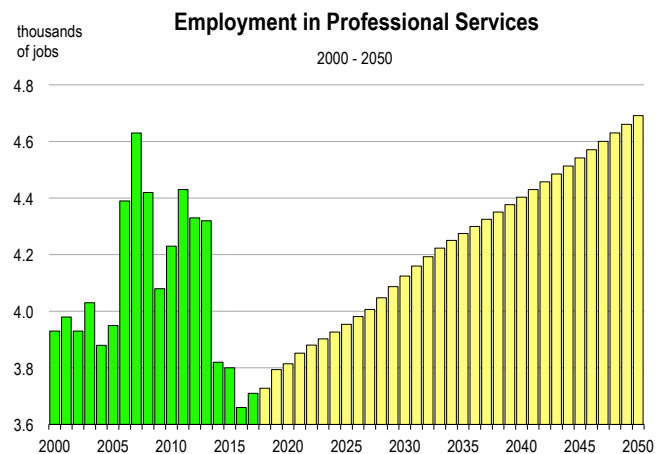
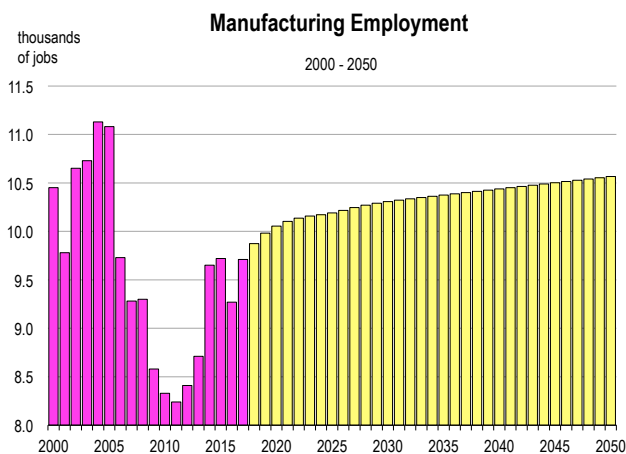
|      | Population<br>(people) | Net<br>Migration<br>(people) | Registered<br>Vehicles<br>(thousands) | Households<br>(thousands) | New Homes<br>Permitted<br>(homes) | Total Taxable<br>Sales<br>(billions) | Personal<br>Income<br>(billions) | Real Per<br>Capita Income<br>(dollars) | Inflation Rate<br>(% change<br>in CPI) | Real Farm<br>Crop Value<br>(billions) | Real Industrial<br>Production<br>(billions) | Unemploy-<br>ment Rate<br>(percent) |
|------|------------------------|------------------------------|---------------------------------------|---------------------------|-----------------------------------|--------------------------------------|----------------------------------|--|--|---------------------------------------|---|-------------------------------------|
| 2010 | 255,897                | -1,068                       | 203                                   | 75.6                      | 168                               | \$2.13                               | \$7.2                            | \$32,779                               | 1.3                                    | 3.17                                  | 2.39  | 18.0                                |
| 2011 | 260,108                | 1,364                        | 201                                   | 75.9                      | 147                               | \$2.37                               | \$7.9                            | \$34,261                               | 2.7                                    | 3.68                                  | 2.24  | 17.7                                |
| 2012 | 262,946                | 115                          | 201                                   | 76.9                      | 140                               | \$2.51                               | \$8.1                            | \$33,874                               | 2.7                                    | 3.62                                  | 2.39  | 16.3                                |
| 2013 | 264,815                | -707                         | 208                                   | 78.3                      | 151                               | \$2.67                               | \$8.7                            | \$35,554                               | 2.3                                    | 4.13                                  | 2.54  | 14.5                                |
| 2014 | 267,659                | 246                          | 213                                   | 78.8                      | 211                               | \$2.76                               | \$9.3                            | \$36,930                               | 2.8                                    | 4.73                                  | 2.86  | 12.8                                |
| 2015 | 269,870                | -222                         | 220                                   | 79.1                      | 437                               | \$2.96                               | \$9.7                            | \$37,802                               | 2.6                                    | 3.78                                  | 2.92  | 11.4                                |
| 2016 | 272,286                | 121                          | 228                                   | 79.5                      | 749                               | \$2.78                               | \$9.9                            | \$37,393                               | 3.1                                    | 3.55                                  | 2.78  | 10.6                                |
| 2017 | 276,275                | 1,737                        | 230                                   | 80.2                      | 670                               | \$2.93                               | \$10.2                           | \$37,034                               | 3.2                                    | 3.52                                  | 2.93  | 9.3                                 |
| 2018 | 279,498                | 991                          | 233                                   | 80.5                      | 805                               | \$3.12                               | \$10.7                           | \$37,342                               | 3.7                                    | 3.56                                  | 3.15  | 9.0                                 |
| 2019 | 282,702                | 945                          | 237                                   | 80.9                      | 801                               | \$3.25                               | \$11.3                           | \$37,943                               | 3.1                                    | 3.59                                  | 3.18  | 8.7                                 |
| 2020 | 285,690                | 710                          | 240                                   | 81.3                      | 889                               | \$3.40                               | \$11.9                           | \$38,319                               | 4.1                                    | 3.63                                  | 3.23  | 8.4                                 |
| 2021 | 288,769                | 769                          | 242                                   | 81.9                      | 867                               | \$3.53                               | \$12.5                           | \$38,662                               | 3.6                                    | 3.66                                  | 3.33  | 8.5                                 |
| 2022 | 291,862                | 764                          | 244                                   | 82.5                      | 865                               | \$3.66                               | \$13.1                           | \$39,132                               | 3.5                                    | 3.70                                  | 3.40  | 8.6                                 |
| 2023 | 294,978                | 771                          | 246                                   | 83.1                      | 878                               | \$3.79                               | \$13.8                           | \$39,633                               | 3.4                                    | 3.73                                  | 3.48  | 8.7                                 |
| 2024 | 298,129                | 790                          | 248                                   | 83.8                      | 901                               | \$3.93                               | \$14.5                           | \$40,189                               | 3.3                                    | 3.77                                  | 3.56  | 8.9                                 |
| 2025 | 301,251                | 749                          | 250                                   | 84.6                      | 883                               | \$4.09                               | \$15.2                           | \$40,679                               | 3.1                                    | 3.80                                  | 3.63  | 9.0                                 |
| 2026 | 304,335                | 699                          | 252                                   | 85.3                      | 914                               | \$4.24                               | \$15.8                           | \$41,070                               | 3.1                                    | 3.83                                  | 3.70  | 9.1                                 |
| 2027 | 307,525                | 793                          | 254                                   | 86.1                      | 965                               | \$4.39                               | \$16.5                           | \$41,436                               | 3.0                                    | 3.87                                  | 3.78  | 9.1                                 |
| 2028 | 310,603                | 671                          | 256                                   | 87.0                      | 1,010                             | \$4.55                               | \$17.2                           | \$41,719                               | 3.3                                    | 3.90                                  | 3.86  | 9.1                                 |
| 2029 | 313,679                | 658                          | 258                                   | 87.8                      | 1,002                             | \$4.70                               | \$17.9                           | \$42,010                               | 3.1                                    | 3.94                                  | 3.94  | 9.1                                 |
| 2030 | 316,769                | 661                          | 260                                   | 88.7                      | 985                               | \$4.86                               | \$18.6                           | \$42,302                               | 3.0                                    | 3.97                                  | 4.02  | 9.1                                 |
| 2031 | 319,852                | 635                          | 261                                   | 89.6                      | 952                               | \$5.05                               | \$19.3                           | \$42,619                               | 2.9                                    | 4.01                                  | 4.10  | 9.1                                 |
| 2032 | 322,846                | 520                          | 263                                   | 90.5                      | 915                               | \$5.24                               | \$20.0                           | \$42,859                               | 3.1                                    | 4.04                                  | 4.19  | 9.1                                 |
| 2033 | 325,842                | 501                          | 265                                   | 91.4                      | 889                               | \$5.44                               | \$20.8                           | \$43,256                               | 2.7                                    | 4.08                                  | 4.27  | 9.1                                 |
| 2034 | 328,847                | 494                          | 266                                   | 92.3                      | 871                               | \$5.64                               | \$21.6                           | \$43,593                               | 2.9                                    | 4.11                                  | 4.36  | 9.1                                 |
| 2035 | 331,886                | 521                          | 268                                   | 93.1                      | 858                               | \$5.84                               | \$22.4                           | \$43,899                               | 3.0                                    | 4.14                                  | 4.44  | 9.1                                 |
| 2036 | 334,891                | 486                          | 270                                   | 94.0                      | 864                               | \$6.04                               | \$23.3                           | \$44,075                               | 3.4                                    | 4.18                                  | 4.53  | 9.1                                 |
| 2037 | 337,843                | 437                          | 271                                   | 94.9                      | 861                               | \$6.24                               | \$24.2                           | \$44,232                               | 3.5                                    | 4.21                                  | 4.62  | 9.1                                 |
| 2038 | 340,796                | 448                          | 273                                   | 95.7                      | 850                               | \$6.44                               | \$25.2                           | \$44,452                               | 3.3                                    | 4.25                                  | 4.72  | 9.0                                 |
| 2039 | 343,687                | 396                          | 274                                   | 96.6                      | 846                               | \$6.65                               | \$26.2                           | \$44,617                               | 3.5                                    | 4.28                                  | 4.81  | 9.0                                 |
| 2040 | 346,601                | 430                          | 276                                   | 97.4                      | 839                               | \$6.85                               | \$27.2                           | \$44,825                               | 3.4                                    | 4.32                                  | 4.91  | 9.0                                 |
| 2041 | 349,483                | 414                          | 277                                   | 98.2                      | 835                               | \$7.05                               | \$28.2                           | \$45,033                               | 3.2                                    | 4.35                                  | 5.01  | 9.0                                 |
| 2042 | 352,384                | 441                          | 279                                   | 99.0                      | 806                               | \$7.25                               | \$29.3                           | \$45,263                               | 3.1                                    | 4.39                                  | 5.11  | 9.0                                 |
| 2043 | 355,263                | 428                          | 280                                   | 99.9                      | 805                               | \$7.45                               | \$30.3                           | \$45,525                               | 3.0                                    | 4.42                                  | 5.22  | 9.0                                 |
| 2044 | 358,165                | 460                          | 282                                   | 100.7                     | 803                               | \$7.65                               | \$31.4                           | \$45,850                               | 2.8                                    | 4.46                                  | 5.33  | 9.0                                 |
| 2045 | 361,029                | 431                          | 283                                   | 101.5                     | 799                               | \$7.85                               | \$32.6                           | \$46,111                               | 3.0                                    | 4.49                                  | 5.44  | 9.0                                 |
| 2046 | 363,866                | 413                          | 285                                   | 102.2                     | 795                               | \$8.06                               | \$33.7                           | \$46,406                               | 2.9                                    | 4.52                                  | 5.55  | 9.0                                 |
| 2047 | 366,628                | 343                          | 286                                   | 103.0                     | 785                               | \$8.27                               | \$34.9                           | \$46,713                               | 2.9                                    | 4.56                                  | 5.66  | 9.0                                 |
| 2048 | 369,356                | 315                          | 287                                   | 103.8                     | 788                               | \$8.48                               | \$36.2                           | \$47,040                               | 2.9                                    | 4.59                                  | 5.78  | 9.0                                 |
| 2049 | 372,063                | 302                          | 289                                   | 104.6                     | 786                               | \$8.70                               | \$37.5                           | \$47,387                               | 2.9                                    | 4.63                                  | 5.90  | 9.0                                 |
| 2050 | 374,743                | 283                          | 290                                   | 105.4                     | 778                               | \$8.93                               | \$38.8                           | \$47,752                               | 2.9                                    | 4.66                                  | 6.02  | 9.0                                 |

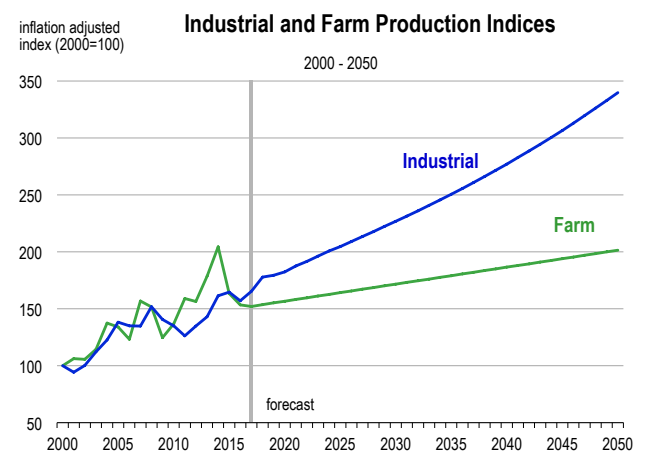
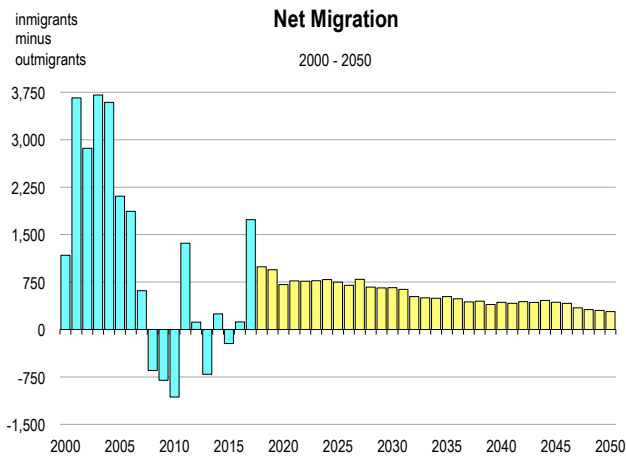
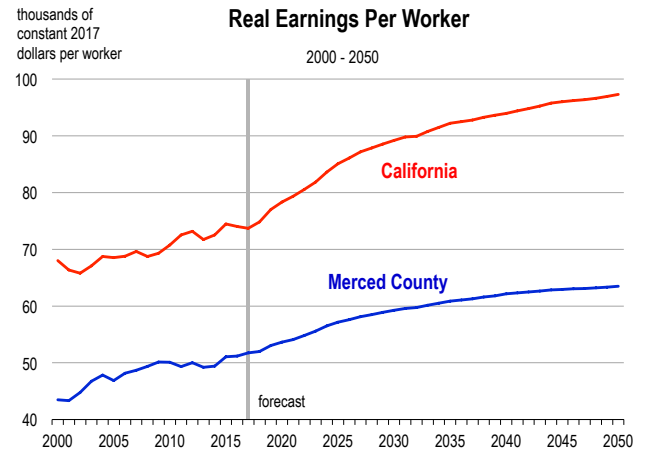
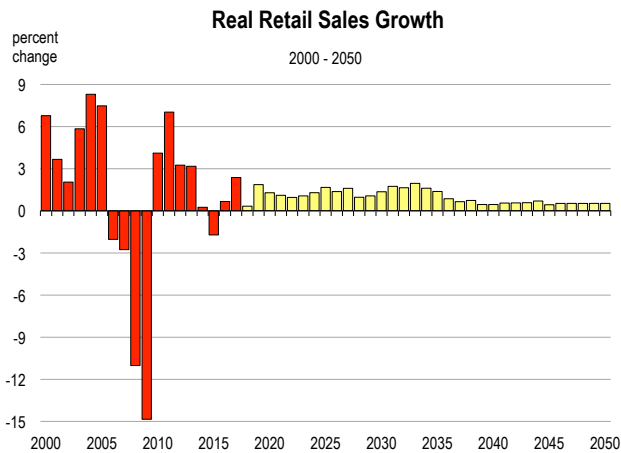


# Merced County Employment Forecast

## 2010-2017 History, 2018-2050 Forecast

|      | Total Wage<br>& Salary                   | Farm | Construction | Manufac-<br>turing | Transportation<br>& Utilities | Wholesale &<br>Retail Trade | Financial<br>Activities | Professional<br>Services | Information | Health &<br>Education | Leisure | Government |
|------|--|------|--------------|--------------------|-------------------------------|-----------------------------|-------------------------|--------------------------|-------------|-----------------------|---------|------------|
|      | -----employment (thousands of jobs)----- |      |              |                    |                               |                             |                         |                          |             |                       |         |            |
| 2010 | 69.2                                     | 10.8 | 1.6          | 8.3                | 2.7                           | 8.7                         | 1.6                     | 4.2                      | 0.6         | 8.1                   | 4.5     | 16.7       |
| 2011 | 70.1                                     | 11.4 | 1.6          | 8.2                | 2.8                           | 9.0                         | 1.5                     | 4.4                      | 0.4         | 8.2                   | 4.6     | 16.5       |
| 2012 | 71.8                                     | 12.5 | 1.6          | 8.4                | 2.8                           | 9.2                         | 1.6                     | 4.3                      | 0.4         | 8.3                   | 4.7     | 16.4       |
| 2013 | 74.0                                     | 13.6 | 1.6          | 8.7                | 2.9                           | 9.2                         | 1.5                     | 4.3                      | 0.4         | 8.8                   | 5.0     | 16.6       |
| 2014 | 75.8                                     | 13.7 | 1.7          | 9.7                | 2.8                           | 9.2                         | 1.6                     | 3.8                      | 0.4         | 9.1                   | 5.4     | 17.1       |
| 2015 | 77.5                                     | 14.1 | 1.9          | 9.7                | 2.8                           | 9.4                         | 1.6                     | 3.8                      | 0.3         | 9.4                   | 5.4     | 17.7       |
| 2016 | 79.0                                     | 14.0 | 2.2          | 9.3                | 2.9                           | 9.7                         | 1.8                     | 3.7                      | 0.3         | 9.8                   | 5.5     | 18.5       |
| 2017 | 81.6                                     | 14.4 | 2.5          | 9.7                | 3.1                           | 10.0                        | 1.9                     | 3.7                      | 0.3         | 10.3                  | 5.6     | 18.7       |
| 2018 | 82.7                                     | 14.6 | 2.5          | 9.9                | 3.2                           | 10.0                        | 1.9                     | 3.7                      | 0.3         | 10.6                  | 5.8     | 18.9       |
| 2019 | 83.8                                     | 14.8 | 2.6          | 10.0               | 3.3                           | 10.1                        | 1.9                     | 3.8                      | 0.3         | 10.9                  | 5.8     | 19.0       |
| 2020 | 84.6                                     | 14.9 | 2.6          | 10.1               | 3.3                           | 10.1                        | 1.9                     | 3.8                      | 0.3         | 11.2                  | 5.9     | 19.2       |
| 2021 | 85.4                                     | 14.9 | 2.6          | 10.1               | 3.3                           | 10.2                        | 1.9                     | 3.9                      | 0.3         | 11.5                  | 5.9     | 19.3       |
| 2022 | 86.0                                     | 15.0 | 2.6          | 10.1               | 3.4                           | 10.2                        | 1.9                     | 3.9                      | 0.3         | 11.7                  | 6.0     | 19.5       |
| 2023 | 86.7                                     | 15.0 | 2.6          | 10.2               | 3.4                           | 10.3                        | 1.9                     | 3.9                      | 0.3         | 11.9                  | 6.1     | 19.7       |
| 2024 | 87.3                                     | 15.0 | 2.6          | 10.2               | 3.4                           | 10.3                        | 1.9                     | 3.9                      | 0.4         | 12.2                  | 6.2     | 19.8       |
| 2025 | 87.9                                     | 15.1 | 2.6          | 10.2               | 3.4                           | 10.4                        | 1.9                     | 4.0                      | 0.4         | 12.4                  | 6.2     | 20.0       |
| 2026 | 88.4                                     | 15.1 | 2.6          | 10.2               | 3.4                           | 10.4                        | 1.9                     | 4.0                      | 0.4         | 12.6                  | 6.2     | 20.2       |
| 2027 | 89.0                                     | 15.1 | 2.7          | 10.2               | 3.4                           | 10.4                        | 1.9                     | 4.0                      | 0.4         | 12.8                  | 6.2     | 20.3       |
| 2028 | 89.6                                     | 15.2 | 2.7          | 10.3               | 3.4                           | 10.5                        | 1.9                     | 4.0                      | 0.4         | 13.0                  | 6.3     | 20.5       |
| 2029 | 90.2                                     | 15.2 | 2.8          | 10.3               | 3.4                           | 10.5                        | 1.9                     | 4.1                      | 0.4         | 13.2                  | 6.3     | 20.6       |
| 2030 | 90.7                                     | 15.2 | 2.8          | 10.3               | 3.4                           | 10.6                        | 1.9                     | 4.1                      | 0.4         | 13.4                  | 6.4     | 20.8       |
| 2031 | 91.3                                     | 15.3 | 2.8          | 10.3               | 3.5                           | 10.6                        | 1.9                     | 4.2                      | 0.4         | 13.5                  | 6.4     | 20.9       |
| 2032 | 91.8                                     | 15.3 | 2.8          | 10.3               | 3.5                           | 10.7                        | 1.9                     | 4.2                      | 0.4         | 13.7                  | 6.5     | 21.1       |
| 2033 | 92.3                                     | 15.3 | 2.8          | 10.3               | 3.5                           | 10.7                        | 1.9                     | 4.2                      | 0.4         | 13.9                  | 6.5     | 21.2       |
| 2034 | 92.8                                     | 15.4 | 2.8          | 10.4               | 3.5                           | 10.8                        | 1.9                     | 4.3                      | 0.4         | 14.0                  | 6.6     | 21.4       |
| 2035 | 93.3                                     | 15.4 | 2.8          | 10.4               | 3.5                           | 10.8                        | 1.9                     | 4.3                      | 0.4         | 14.2                  | 6.6     | 21.5       |
| 2036 | 93.8                                     | 15.4 | 2.9          | 10.4               | 3.5                           | 10.9                        | 1.9                     | 4.3                      | 0.4         | 14.3                  | 6.7     | 21.6       |
| 2037 | 94.3                                     | 15.5 | 2.9          | 10.4               | 3.5                           | 10.9                        | 1.9                     | 4.3                      | 0.4         | 14.5                  | 6.7     | 21.8       |
| 2038 | 94.8                                     | 15.5 | 2.9          | 10.4               | 3.5                           | 11.0                        | 1.9                     | 4.4                      | 0.5         | 14.6                  | 6.8     | 21.9       |
| 2039 | 95.3                                     | 15.5 | 2.9          | 10.4               | 3.5                           | 11.0                        | 1.9                     | 4.4                      | 0.5         | 14.7                  | 6.8     | 22.0       |
| 2040 | 95.7                                     | 15.5 | 3.0          | 10.4               | 3.5                           | 11.0                        | 1.9                     | 4.4                      | 0.5         | 14.9                  | 6.9     | 22.2       |
| 2041 | 96.2                                     | 15.6 | 3.0          | 10.5               | 3.5                           | 11.0                        | 1.9                     | 4.4                      | 0.5         | 15.0                  | 6.9     | 22.3       |
| 2042 | 96.6                                     | 15.6 | 3.0          | 10.5               | 3.6                           | 11.1                        | 1.9                     | 4.5                      | 0.5         | 15.1                  | 7.0     | 22.4       |
| 2043 | 97.1                                     | 15.6 | 3.0          | 10.5               | 3.6                           | 11.1                        | 1.9                     | 4.5                      | 0.5         | 15.3                  | 7.1     | 22.5       |
| 2044 | 97.5                                     | 15.7 | 3.0          | 10.5               | 3.6                           | 11.1                        | 1.9                     | 4.5                      | 0.5         | 15.4                  | 7.1     | 22.7       |
| 2045 | 97.9                                     | 15.7 | 3.0          | 10.5               | 3.6                           | 11.2                        | 1.9                     | 4.5                      | 0.5         | 15.5                  | 7.2     | 22.8       |
| 2046 | 98.4                                     | 15.7 | 3.0          | 10.5               | 3.6                           | 11.2                        | 1.9                     | 4.6                      | 0.5         | 15.7                  | 7.3     | 22.9       |
| 2047 | 98.8                                     | 15.7 | 3.0          | 10.5               | 3.6                           | 11.2                        | 1.9                     | 4.6                      | 0.5         | 15.8                  | 7.3     | 23.0       |
| 2048 | 99.2                                     | 15.8 | 3.0          | 10.5               | 3.6                           | 11.3                        | 1.9                     | 4.6                      | 0.5         | 15.9                  | 7.4     | 23.1       |
| 2049 | 99.6                                     | 15.8 | 3.0          | 10.6               | 3.6                           | 11.3                        | 1.9                     | 4.7                      | 0.5         | 16.0                  | 7.4     | 23.2       |
| 2050 | 100.0                                    | 15.8 | 3.0          | 10.6               | 3.6                           | 11.3                        | 1.9                     | 4.7                      | 0.5         | 16.1                  | 7.5     | 23.4       |





## County Economic and Demographic Indicators

### Projected Economic Growth (2018-2023)

|                                  |                    |
|----------------------------------|--------------------|
| Expected retail sales growth:    | 6.4%               |
| Expected job growth:             | 4.8%               |
| Fastest growing jobs sector:     | Health & Education |
| Expected personal income growth: | 12.1%              |

|  |       |
|--|-------|
| Expected population growth:            | 5.5%  |
| Net migration to account for:          | 25.6% |
| Expected growth in number of vehicles: | 5.5%  |

### Demographics (2018)

|   |       |
|---|-------|
| Unemployment rate (April 2018):           | 8.7%  |
| County rank* in California (58 counties): | 54th  |
| Working age (16-64) population:           | 62.8% |

|                                   |           |
|-----------------------------------|-----------|
| Population with B.A. or higher:   | 14.2%     |
| Median home selling price (2017): | \$250,000 |
| Median household income:          | \$45,749  |

### Quality of Life

|   |                         |
|---|-------------------------|
| Violent crime rate (2016):                | 540 per 100,000 persons |
| County rank* in California (58 counties): | 44th                    |
| Average commute time to work (2018):      | 27 minutes              |

|  |       |
|--|-------|
| High School drop out rate (2017):        | 6.2%  |
| Households at/below poverty line (2018): | 22.2% |

\* The county ranked 1st corresponds to the lowest rate in California